Other informations :

(a) It is proposed to maintain a level of activity of 1,00,000 units.

(b) Selling price Rs. 25 per unit.

(c) Raw materials in store 1 month

(d) Material in process ½ month

(e) Finished goods in stock 1 month

(f) Credit allowed to debtors 2 months

(g) Credit allowed by supplier 1 months

You may assure that sales and production follow a consistent pattern.

You are required to prepare a statement of working capital requirement for the firm. 14

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PG (Even) Semester Examination, September, 2023

COMMERCE

(2nd Semester)

Course No.: COM-551

(Financial Management)

Full Marks: 70

Pass Marks: 28

Time: 3 hours

The figures in the margin indicate full marks for the questions.

Answer any five questions, taking one from each unit.

UNIT-I

1. Define Financial Management. Discuss the nature and scope of Financial Management. 4+10=14

2. In what ways is the wealth maximisation objective superior to the profit maximisation objective. Explain. 14

UNIT-II

3. Delineate Net Present Value (NPV) method of capital budgeting. How is NPV method different from IRR (Internal Rate of Return) method. Explain. 6+8=14

4. A company has an investment opportunity costing Rs. 1,60,000 with the following expected net cash

flow after taxes and before depreciation :

Year	1	2	3	4	5
Net Cash Flow (Rs.) :	28,000	28,000	28,000	28,000	28,000
Year :	6	7	8	9	10
Net Cash Flow (Rs.)	32,000	40,000	60,000	40,000	16,000

Using 10% cost of capital, determine the following:

(i) Pay back period.

(ii) Net present value at 10% discount factor

(iii) Profitability index at 10% discount factor

(iv) Internal rate of return with the help of 10% and 15% discount factor.

Discount Factors are as under :

Year	Discount Rate @10%	Discount Rate @15%
1	0.909	0.870
2	0.826	0.756
3	0.751	0.658
4	0.683	0.572
5	0.621	0.497
6	0.564	0.432
7	0.513	0.376
8	0.467	0.327
9	0.424	0.284
10	0.386	0.247

UNIT-III

5. Discuss the factors determining capital structure of a company. What is optimal capital structure. 11+3=14

6. (a) Define financial leverage. 4

(b) A firm has sales of Rs. 10,00,000, variable cost of Rs. 7,00,000 and fixed costs of Rs. 2,00,000 and debt of Rs. 5,00,000 at 10% rate of interest. What are the operating, financial and combined leverages? If the firm wants to double its Earning Before Interest and Tax (EBIT), how much of a rise in sales would be needed on a percentage basis. 10

UNIT-IV

7. Explain Gordon's dividend model with suitable example. 14

8. Explain the various factors which influence the dividend decision of a firm. 14

UNIT-V

9. What is receivables management? Discuss the factors which influence the size of receivables. 4+10=14

10. A proforma cost sheet of a company provides the following particulars :

Elements of cost— Material 40%, Direct Laboue 20%, Overhead 20%.